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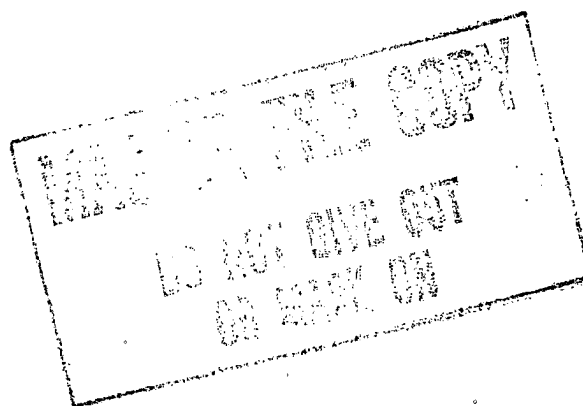
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Botswana: Surviving Under Adversity

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An Intelligence Assessment



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June 1984

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Botswana: Surviving Under Adversity

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An Intelligence Assessment

This paper was prepared by [redacted]
[redacted] Office of African and Latin American
Analysis, with a contribution from [redacted]
[redacted] Office of Central Reference. It was
coordinated with the Directorate of Operations [redacted]

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Comments and queries are welcome and may be
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**Botswana:
Surviving Under Adversity**

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Key Judgments

*Information available
as of 18 May 1984
was used in this report.*

Botswana generally has been supportive of US efforts to promote peaceful solutions to the problems of southern Africa. Since it gained independence in 1966, Botswana has been a model of political stability, enjoying the benefits of a strong democratic tradition and economic growth. Although Botswana faces several political and economic challenges in the next few years, we believe the chances are good that it can maintain its stability and pro-Western policies.

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Parliamentary elections set for this fall will be the first electoral test for Quett Masire since he assumed the presidency in 1980. We concur with the judgment of local observers that neither Masire nor his ruling Botswana Democratic Party is likely to face a serious challenge. Masire has dealt deftly with tribal frictions within the party, and he undoubtedly benefited politically from his visit to the United States in early 1984. Moreover, the opposition parties lack the popular support and resources to challenge successfully the Botswana Democratic Party, which has dominated all four of Botswana's general elections and currently holds 29 of the 32 seats in parliament.

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Since independence, the economy generally has maintained a vigorous growth rate, spurred by the development of diamond mining and expansion of the cattle industry. More importantly, Botswana, unlike many developing countries, has achieved its economic success largely through reliance on private enterprise, a free market, and open trade and investment policies. Adherence to these policies has enabled Botswana to weather a series of economic setbacks in recent years—cattle disease, drought, and volatile diamond prices—and to be well positioned for continued growth in the near to medium term, albeit at a modest rate.

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Despite sound economic management, Botswana's economy is vulnerable to events beyond its control and faces serious long-term obstacles to diversification and growth. Moreover, Botswana's inability to provide adequate job opportunities for its rapidly growing and increasingly educated labor force may in the long term create fertile ground for recruitment by radical opposition parties and a potential threat to stability.

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Botswana's immediate foreign policy concerns stem from its troubled relations with its two more powerful neighbors—South Africa and Zimbabwe. The use of Botswana territory as a staging area by Zimbabwean

[redacted]

dissidents has bedeviled relations between Gaborone and Harare for over two years. Repeated small-scale cross-border operations by the Zimbabwean Army have occurred in late 1983 and early 1984, and more are likely as long as the dissident problem in Zimbabwe is unresolved. [redacted]

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South Africa is pressing Gaborone to sign a nonaggression pact that would allow Pretoria the right of "hot pursuit" against anti-South African groups operating from Botswana territory. Pretoria has warned that it will encourage domestic opposition to the Masire government if it does not accept a South African draft agreement. It has also reminded Botswana of its vulnerability to South African economic pressure. Botswana has steadfastly refused to sign, citing its longstanding policy of not permitting these groups to operate from Botswana. Nonetheless, increased use of Botswana territory by guerrillas—whose traditional infiltration routes into South Africa from Mozambique are being denied—would overtax Botswana's limited defense and police capabilities. This would invite South African military retaliation and could compel Gaborone to acquiesce to Pretoria's demand for a formal security cooperation agreement. [redacted]

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Although officially nonaligned, Botswana has traditionally been pro-West in orientation. In particular, Gaborone has been generally supportive of US initiatives seeking peaceful solutions to southern African disputes. Gaborone has had few dealings with Moscow since the Soviets' unsuccessful attempt in 1980 to expand their involvement in Botswana by concluding a roughly \$7 million arms deal. Moscow, however, maintains a large diplomatic mission in Gaborone and has long had close ties to the opposition Marxist Botswana National Front. [redacted]

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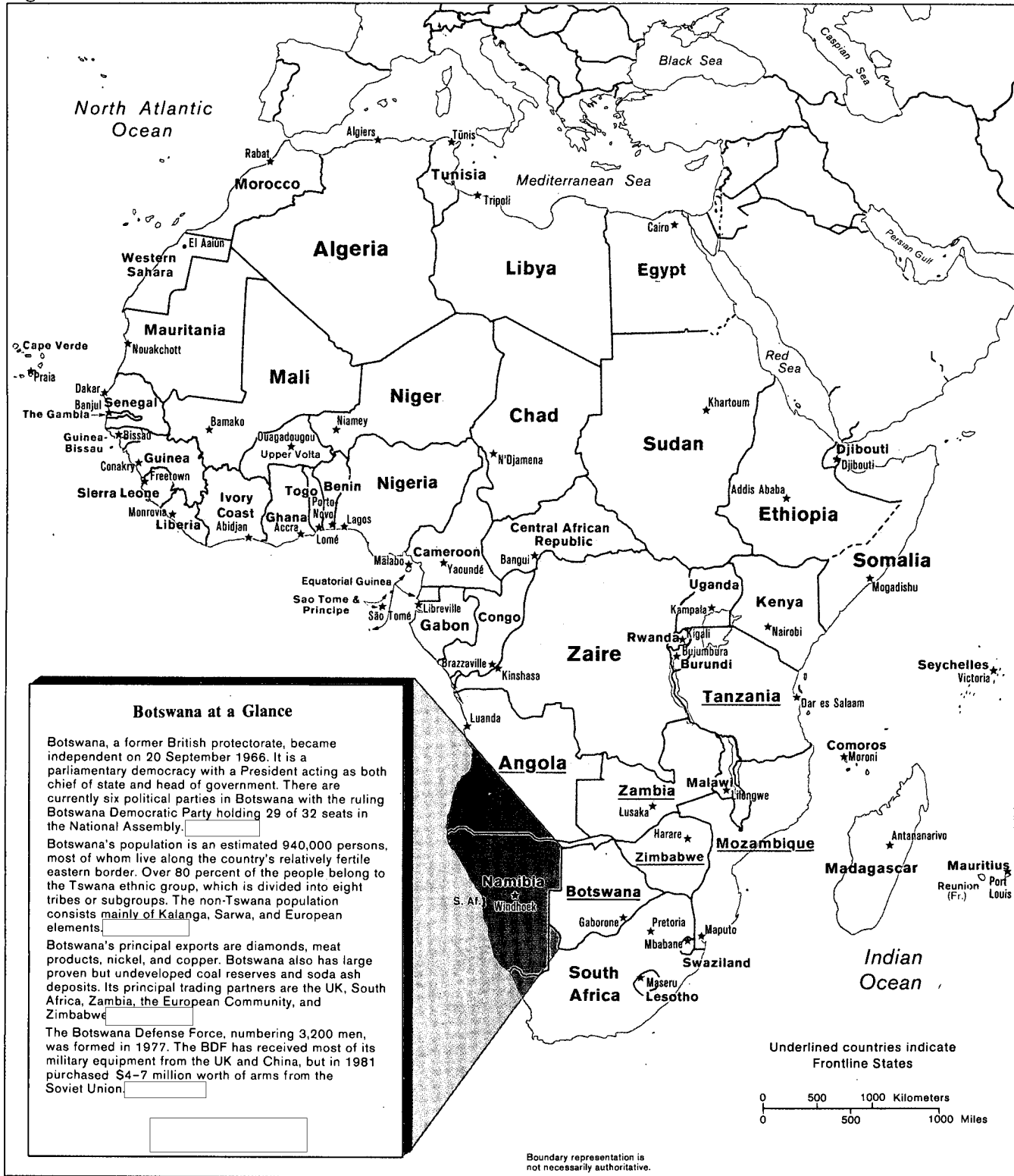
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Botswana: Surviving Under Adversity

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Introduction

Sharing borders with Namibia, Zimbabwe, and South Africa, Botswana increasingly finds itself caught in the political and military cross-currents of the region. It also faces serious long-term obstacles to economic diversification and growth and is heavily dependent on close economic ties to South Africa. As a result, Botswana and its President, Quett Masire, are likely to face several important challenges in the next few years.

This paper examines internal political issues related to the parliamentary elections set for later this year and Botswana's troubled relations with South Africa and Zimbabwe. It also describes the key features and recent performance of the Botswana economy and assesses economic and political prospects for the near and long term. An appendix contains a detailed assessment of the the Botswana economy.

The Coming Elections

Quett Masire, Vice President for over 14 years under President Seretse Khama, has firmly established his control since assuming the presidency following Khama's death in 1980 and has continued his predecessor's moderate, pragmatic policies. Parliamentary elections set for this fall will be the first electoral test of Masire's presidency. We concur with the judgment of the US Embassy and other local observers that neither Masire nor his ruling Botswana Democratic Party (BDP) is likely to face a serious challenge. The BDP has dominated all four of Botswana's general elections since 1966 and currently holds 29 of the 32 seats in parliament.

Nonetheless, tribal¹ and personal frictions appear to be on the rise within the BDP. According to the US Embassy, some leaders of the Bamangwato, Seretse

¹ The Tswana people are divided into eight principal tribal groupings: Bamangwato, Bangwaketse, Bakwena, Batawana, Bakgatla, Bamalete, Barolong, and Catlokwa.

Political Background

When Botswana gained independence in 1966, after 81 years as the British Protectorate of Bechuanaland, its prospects seemed among the least promising of any African country. Somewhat larger than France, landlocked and arid, Botswana embarked on self-rule surrounded by hostile neighbors. Its people, now numbering just over 1 million, were desperately poor, and its cattle-based economy prone to drought. Despite these obstacles, the Batswana have prospered and in so doing have demonstrated the compatibility of free enterprise and democratic principles with the goals of a developing country.

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One of the reasons for Botswana's unusual success was the leadership of its first president, Seretse Khama. From the time of independence until Khama's death in 1980, moderation was the keynote as domestic politics centered on the need to bring progressive economic and political development to a conservative society without destroying its traditional foundations.

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Throughout his presidency, Khama was faced with the reality of the economic stranglehold South Africa had on his country. He never wavered in his opposition to apartheid, however, and played a leading—if moderating—role within the Frontline group.

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Khama's tribe and long the dominant force in the party, believe that their position in the government has eroded under Masire—who is a member of the minority Bangwaketse tribe. Masire has responded in part by continuing to appoint Bamangwato to government posts. On the whole, however, Masire has held

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President Masire—A Profile

President Masire, 58, was Seretse Khama's hand-picked successor and served as Vice President for 14 years before assuming the presidency in 1980. A founding member of the Botswana Democratic Party, Masire shared most of Khama's political views. While he was Vice President, Masire also headed the Ministry of Finance and Development Planning and is responsible for many of Botswana's successful economic policies. [redacted]

Masire has performed well in his first four years as President and will be a candidate for his first five-year term as President in the planned fall elections. He has taken a particular interest in foreign policy, where he has adopted a stronger public stance against South Africa than did Khama. [redacted]

Masire has a reputation for political astuteness and a genial manner, although Embassy reporting states he has a surprising distaste for day-to-day politics. A successful rancher before he entered politics in the 1950s, he is independently wealthy and does not have to rely on politics for a living. Masire's first love is ranching, and he escapes to his ranch at every opportunity. A member of the minority Bangwaketse tribe, Masire apparently is in good health. [redacted]



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to Seretse Khama's line of keeping tribal politics out of the party and has thereby prevented the internal rifts in the BDP from becoming serious. The selection of Peter Mmusi—an able technocrat but a non-Bamangwato—as Vice President in 1983 is an example of Masire's policy of rewarding competence and merit that has met with general approval. [redacted]

All but one of the five opposition parties have extremely narrow constituencies and ill-defined programs and, in our view, present no real challenge to the BDP. Only the Botswana National Front (BNF) appears to have a well-defined base of support—primarily among urban Batswana²—but its Marxist,

² Citizens of Botswana refer to themselves as *Batswana* rather than Botswanans. The adjectival form of the country's name is Botswana. [redacted]

pro-Soviet rhetoric has made it unattractive to most would-be defectors from the BDP, according to the US Embassy. The BNF garnered about 13 percent of the vote in the last general election and holds only two seats in parliament. According to Embassy reporting, the party may gain one seat at best in the coming election.³ [redacted]

Masire also seems to be coping effectively with occasional public criticism of the government's handling of Zimbabwean refugees, most of whom are Ndebele

³ One of the constituencies the BNF has a good chance of winning, according to Embassy reporting, is the Gaborone seat held by Vice President Mmusi. Despite Mmusi's popularity, the BNF is strong in urban areas, and a victory there could be politically embarrassing for the BDP. [redacted]

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Opposition Parties at a Glance

Party	Founded	Leader	Support	Influence
Botswana Independence Party (BIP)	1960	Motsamai Mpho	Among the Bayei and Batawana in northwest Botswana.	Lost its only seat in the 1979 elections.
Botswana Peoples Party (BPP)	1964	Knight Maripe	Represents non-Tswana people in the northeast with some support around Francistown.	Holds one seat in the National Assembly.
Botswana National Front (BNF)	1966	Kenneth Koma	Among workers and leftist ideologues, as well as rural Bangwaketse loyal to ex-chief Gaseit-siwe.	Holds two seats in the National Assembly. Only party capable of challenging the BDP.
Botswana Progressive Union (BPU)	1982	Daniel Kwele	One-man show, with no national organization and little following.	Nil.
Botswana Liberal Party (BLP)	1983	Martin Chakalisa	Among the non-Tswana people of northeastern Botswana.	Nil.

and related to the Kalanga of northern Botswana. The Kalanga resent even the limited efforts that Botswana security forces have mounted against their Zimbabwean tribal kin—some of whom probably are dissidents—in response to pressure from Harare. Opposition parties have been unable to exploit this resentment, however, and Masire has been careful to limit his cooperation with Harare even at the risk of antagonizing Zimbabwean officials. [REDACTED]

A Potential Leadership Challenge

A nagging concern for Masire is the political future of Botswana Defense Force Deputy Commander Ian Khama, son of the late President. Khama's political plans are the subject of intense speculation within Botswana and a source of considerable consternation to Masire, [REDACTED] Khama, in addition to carrying the family name, also is Paramount Chief of the Bamangwato. Since 1981, Khama has made no secret of his desire to enter politics, and most observers are convinced that his ultimate goal is the presidency. [REDACTED]

A major impediment to Khama's political aspirations, however, is a constitutional amendment—sponsored, ironically, by his father—that makes a tribal chief

ineligible for political office until five years after relinquishing his tribal position [REDACTED] the constitutional issue was raised by Masire in January 1983 when Khama discussed with the President his possible resignation from the military and his desire to become a BDP candidate for the National Assembly. [REDACTED]

In addition to the constitutional hurdle, Khama has personal liabilities that we believe could potentially inhibit his support among traditional elements of Botswana society: he is of mixed race—Lady Ruth is a white Englishwoman—and he does not speak Setswana, the traditional language of most Batswana. [REDACTED]

[REDACTED] Masire's concerns about Khama have been heightened by [REDACTED]

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Ian Khama—A Profile

Brig. Gen. Ian Khama, 31, is the eldest son of the late President of Botswana, Seretse Khama. After attending school in England and Rhodesia, Ian Khama graduated from Britain's Royal Military College at Sandhurst. At the age of 23, he became Deputy Commander of the Botswana Defense Force and was promoted to the rank of brigadier general. Khama holds the most important tribal position in Botswana; in 1979 he was installed as chief of the Bamangwato, the largest Tswana tribal group. [REDACTED]



Khama gained considerable international exposure as his father's aide-de-camp during state visits and talks with leaders of the Frontline States. A vocal opponent of apartheid, he has nevertheless conceded that the current US policy of negotiation with South Africa may be more fruitful than a confrontational stance. Moscow has also sought to establish a special relationship with him, and Khama has stressed Botswana's nonaligned status in recent years, declaring that the country would accept arms from both the West and East. [REDACTED]

Khama has expressed support for the democratic principles espoused by his father. He is apparently impressionable, however, and is under considerable pressure to play a more active role in Botswana politics. Elders of the Bamangwato, intent on having one of their own as national leader, want him to seek the presidency. [REDACTED]

Khama is a strict disciplinarian. He has assumed responsibility for training the Botswana Defense Force, personally leading his men on grueling field exercises. [REDACTED]

Foreign visitors have found Khama to be polite and unassuming, almost to the point of shyness. He has a pilot's license and does recreational flying, but he has little time for other sports or hobbies. Khama is a mulatto. His mother, an Englishwoman, apparently still has substantial influence over him. Khama neither smokes nor drinks. [REDACTED]

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[redacted] Khama's meetings with opposition politicians who urged him to resign from the military and run as a BDP candidate in order to effect "change from within."

we doubt that his embarrassment and frustration would translate into a destabilizing political struggle, especially if elections had just taken place. In our view, Khama would more likely begin in earnest to develop political support for a challenge in a future election [redacted]

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The Economy

Nonetheless, Masire, with the cooperation of the commander of the Botswana Defense Force, Maj. Gen. Mompoti Merafhe, has taken steps to limit Khama's influence.

Botswana has had one of the most impressive economic development records in the Third World. At independence Botswana was heavily dependent on the United Kingdom and other foreign donors. The country had a national income of \$75 per capita and was one of the poorest in Africa. Today Botswana finances all of its operating budget and much of its development spending from its own resources. Per capita national income now tops \$900, although distribution is highly unequal, and prospects are good that the economy will continue to grow, albeit at a modest rate, for the rest of the decade.

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[redacted] A senior officer—an ally of Merafhe—was promoted recently to Khama's rank of brigadier and given the operations command that had previously been Khama's. To further undermine support for Khama, [redacted]

[redacted] the military has adopted a policy favoring supporters of Merafhe for promotion. [redacted]

For the time being, Khama appears to be weighing his options: whether to renounce his chieftainship, work within the BDP, join an opposition group, or even form his own opposition party. Another factor influencing Khama's strategy could be the retirement plans of General Merafhe.⁴ If Merafhe were to retire prior to Khama's political debut, or be appointed Minister of Defense—[redacted]

[redacted]—Khama would probably delay his entry into the political arena in the hope of becoming the top military commander, [redacted]

Merafhe, however, is well aware of Khama's desire to replace him and may decide to delay retirement as long as possible, [redacted] Moreover, we believe Masire would only reluctantly allow Khama to assume command of the military. Should Khama be passed over for the top military position,

Growth and Vulnerability

The 1970s were years of rapid, export-led economic growth and of surpluses in the budget and balance of payments. The mining of diamonds and of nickel and copper, begun in the early 1970s, along with improvements in the commercial cattle industry and the start of beef exports to the European Community, boosted real national income by an average of nearly 15 percent annually during the decade, according to International Monetary Fund data. Increased customs receipts and diamond royalties led a 33-percent average annual rise in government revenues during the decade, while Gaborone maintained its traditionally conservative fiscal management and consistently enjoyed budget surpluses that were subsequently applied to development spending. Mining investments spurred growth in the construction industry and accounted for the bulk of large inflows of private capital that, together with export growth of about 30 percent annually, generated balance-of-payments surpluses.

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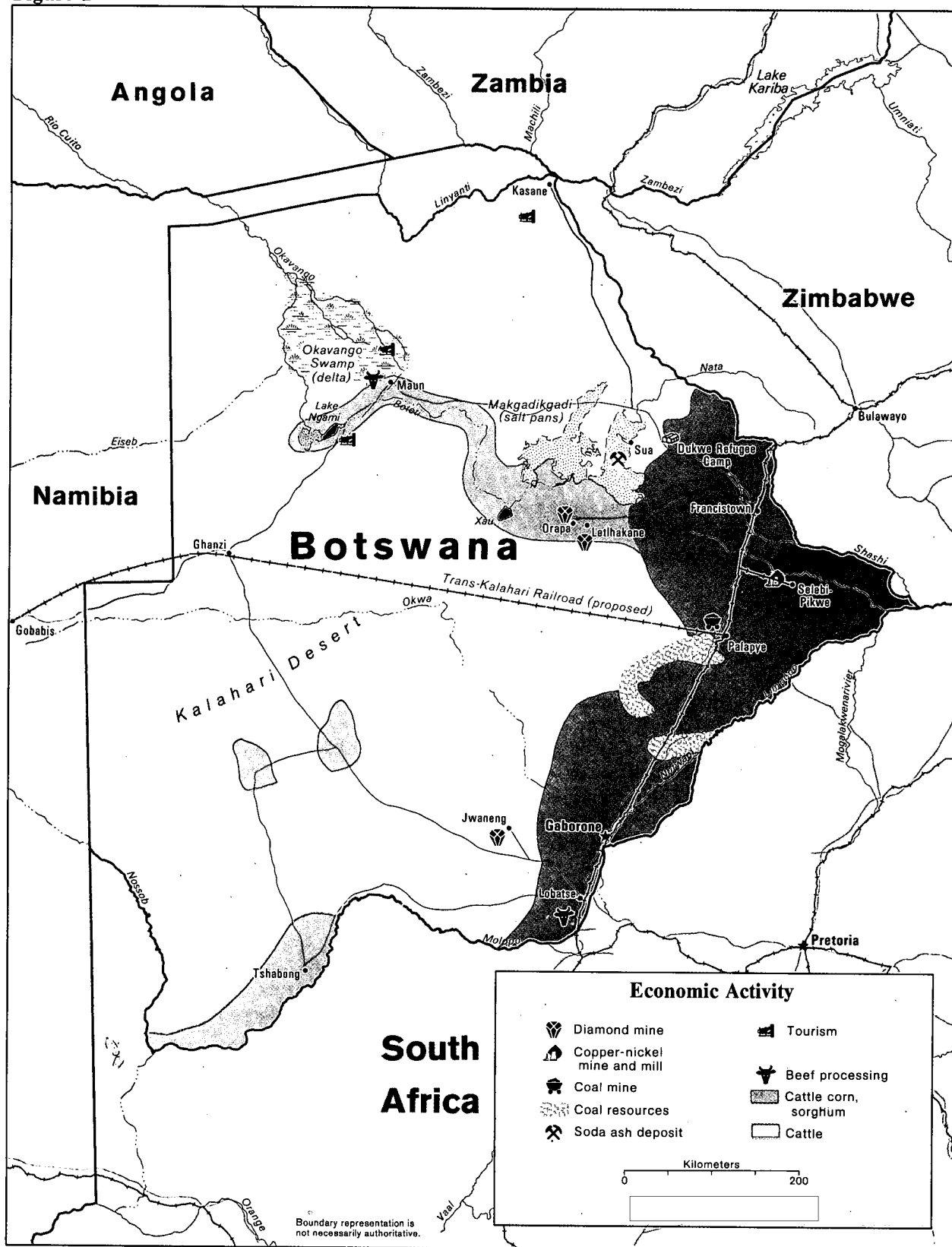
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⁴ Although the 49-year-old Merafhe—a 24-year veteran of the police and Defense Force—was eligible for retirement four years ago, he has so far given no sign of plans to do so. [redacted]

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Figure 2

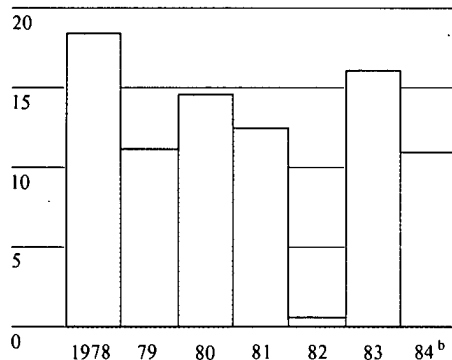


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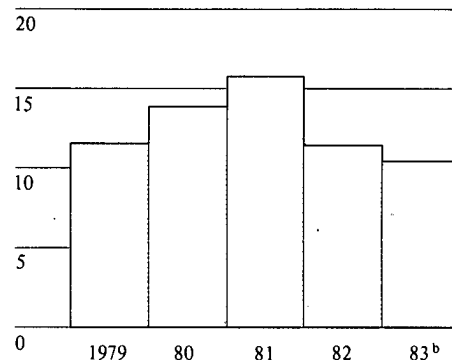
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Figure 3
Botswana: Economic Indicators

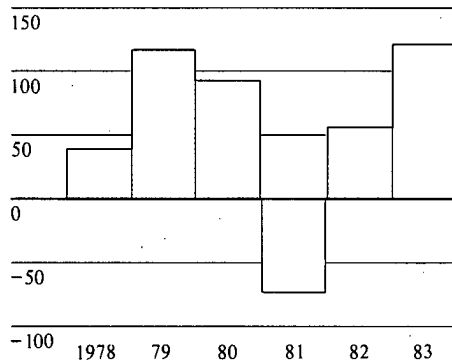
Real GDP Growth, 1978-84^a
 Percent



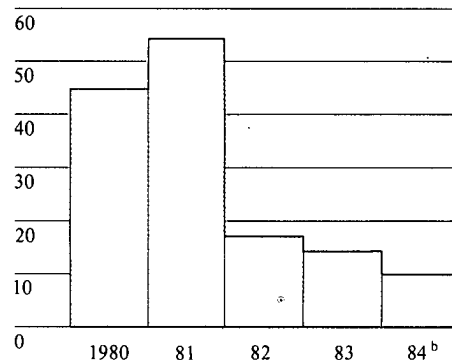
Inflation Rate, 1979-83
 Percent



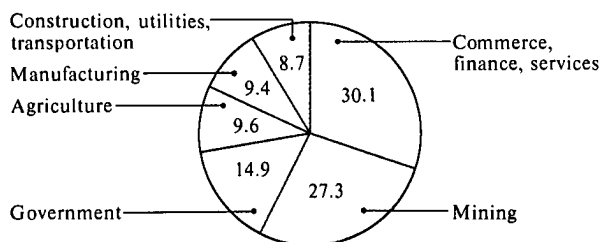
Balance of Payments, 1978-83
 Million US \$



Production of Principal Food Crops, 1980-84^d
 Thousand tons



GDP by Sector, 1982/83^b
 Percent



^a Year ending 30 June. Based on producer price deflator. In comparison, the use of a consumer price deflator to reflect the real purchasing power of Botswana's export-oriented output results in a decline in real GDP for both 1981 and 1982, when the Botswana pula experienced substantial devaluation.

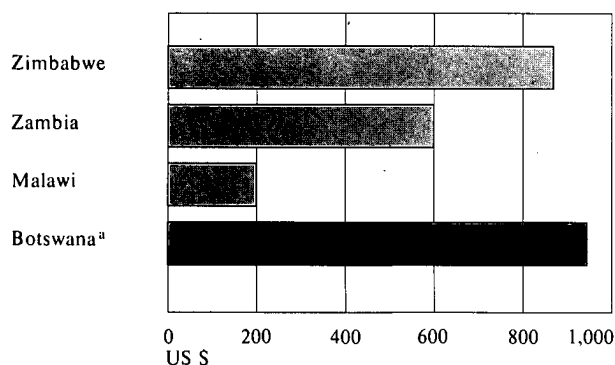
^b Estimated.

^c Consumer price index.

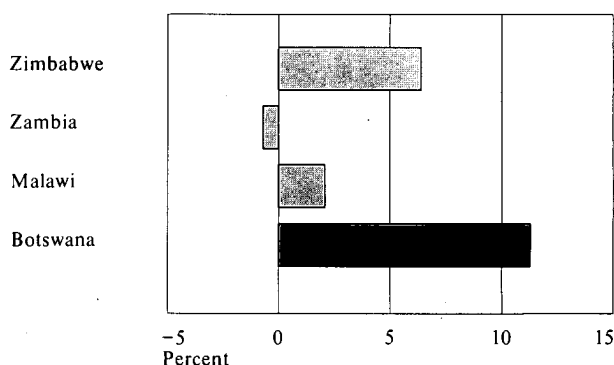
^d Year ending 30 June.

Figure 4
Botswana: Economic Comparisons

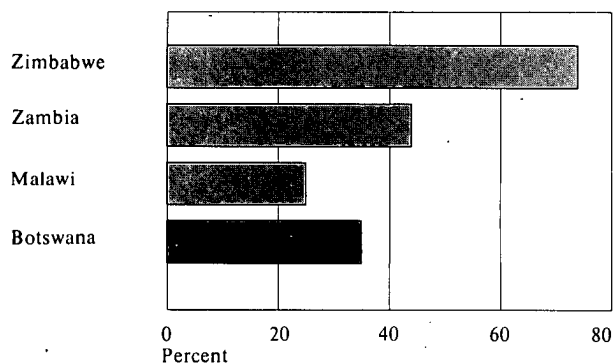
GNP Per Capita, 1981



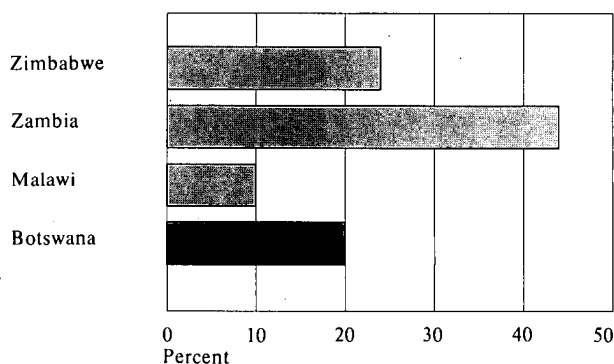
Real GDP Growth, 1978-82



Literacy Rates, 1978



Urban Population, 1981



^a 1982 data.

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Since 1979, however, Botswana's narrowly based, export-led economy has been hit by a succession of troubles that are largely beyond its control and demonstrate the economy's fundamental vulnerability. These difficulties have included a serious bout of hoof-and-mouth disease that curtailed beef exports, sharp speculative swings in the volatile international diamond market that whipsawed Botswana's exports and balance-of-payments position, and a prolonged slump in the world minerals market that has threatened the solvency of Botswana's major employer, a

nickel and copper mine. Moreover, in 1982 Botswana experienced the onset of a severe drought—as yet unabated—that has withered subsistence crops, devastated grazing lands, and caused substantial reductions in the national cattle herd.

Recent Performance

Despite recent difficulties, the Botswana economy has demonstrated resilience in the short term, such as its

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Unemployment: A Growing Concern

We and most academic observers believe that Botswana's most intractable economic need—and an issue that could eventually become a source of political unrest—is the creation of new, nonagricultural jobs for its rapidly growing labor force. Although jobs in the modern sector, including commercial agriculture and ranching, grew by 10 percent annually during the 1970s, according to press reports, the mineral-based and export-led nature of development thus far has resulted in a narrow, capital-intensive economy^a and a highly unequal income distribution. Consequently, the absolute number of new employment opportunities has been inadequate, and unemployment has grown. Out of an annual increase in the labor force of 12,000 to 13,000, from 7,000 to 8,000 become unemployed, according to press reports.

The unemployment rate probably exceeded 12 percent last year, in our estimation, hitting young people hardest and creating potentially fertile ground for recruitment by the political opposition. In addition, the presence of several thousand refugees seeking jobs has been a source of tension that has prompted the government to require work permits for employment of expatriates. Nonetheless, refugees with special skills have been allowed to obtain work away from the refugee camp at Dukwe, according to the US Embassy.

^a No more than 30 percent of total employment in Botswana is in the modern sector. The rest is in subsistence agriculture and traditional herding. According to IMF data for 1982-83, manufacturing—mostly meat processing—provided only about 9 percent of GDP and some 10 percent of formal employment, while mining provided about 27 percent of GDP but only about 8 percent of modern jobs. Central government, commerce, and construction together accounted for over half of formal employment.

The number of Batswana officially employed in South Africa has steadily declined since the late 1970s, reflecting Pretoria's policy of reducing dependence on expatriate labor in its mines. Only a portion of the dismissed workers were absorbed by the expansion of employment in Botswana when new diamond mines opened there in 1979 and 1982. Moreover, only about 1,000 new jobs will be created when, by 1987, Botswana assumes ownership of its main rail line, which currently is owned and run by Zimbabwe.

The drought has aggravated Botswana's rapid rate of urban growth, estimated at an annual rate of over 12 percent by the World Bank, as well as its growing unemployment problem. Worsening agricultural prospects have driven many rural Batswana to seek employment or government relief in towns. We estimate that the level of urbanization now exceeds 25 percent, up from about 10 percent at independence.

The government is currently emphasizing the expansion of primary education, but rapid population growth has outpaced the government's ability to provide facilities. In addition, there is insufficient higher education and technical training to satisfy fully the economy's requirements for skilled labor. Only about 60 percent of managerial, professional, and technical jobs are filled by Batswana, according to the World Bank. The result, ironically, is heavy dependence on expatriates and inadequate staffing of many posts in both the public and private sectors despite high unemployment among the inadequately educated and trained Batswana.

strong performance last year, that masks its underlying economic vulnerabilities. Diamond sales were up sharply early last year, spurred largely by higher production but also by some improvement in the world market. Diamonds earned a record \$416 million in foreign exchange, double the level in 1982, and

accounted for two-thirds of total exports, according to press reports. Total production reached a record 10.7 million carats, according to the US Embassy. Beef sales to the EC, which absorbs half of Botswana's beef

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exports, also were strong; at about 16,000 tons, these sales nearly filled the 18,900-ton quota Botswana is allowed under the Lome Convention.⁵ [redacted]

As a result of these developments, foreign exchange reserves have risen dramatically—they now cover more than six months of imports—and the balance of payments has achieved a record surplus, according to press reports. Moreover, Botswana's external debt is low, with debt servicing absorbing less than 6 percent of export earnings. [redacted]

The domestic economy has also stabilized somewhat during the last year, despite intensifying drought, and the inflation rate has eased to less than 11 percent from its peak of nearly 16 percent in 1981. The government has maintained strict control over the budget and, despite a pay increase for civil servants and reductions in personal income taxes, projects a return to surplus for the current fiscal year (1 April to 31 March), according to press reports. [redacted]

Foreign Relations

Botswana's major foreign policy concerns stem largely from its extremely vulnerable position in the region. Caught between its two more powerful neighbors, South Africa and Zimbabwe, Botswana has recently come under growing pressure to make politically unpalatable concessions to both. [redacted]

South Africa

President Masire has continued Seretse Khama's pragmatic approach to bilateral relations with South Africa. In the wake of South Africa's recent nonaggression pact with Mozambique and disengagement-of-forces agreement with Angola, however, Botswana-South African relations have entered a new and potentially dangerous phase. Botswana is especially fearful that the African National Congress (ANC), South Africa's principal black insurgency, will make

⁵ Under the Lome Convention, exports from the former colonies of EC members are accorded duty-free access to the European market. The United Kingdom's entry to the EC gave Botswana such access, but subject to other nontariff barriers that include a negotiable quota on volume and price restrictions designed to prevent dumping on the European market. [redacted]

greater use of Botswana territory to stage attacks into South Africa now that Mozambique's treaty obligations require it to expel ANC military cadre. We share the assessment of Botswana officials that such use of its territory by the ANC certainly would invite South African military retaliation. [redacted]

Botswana has recently come under South African pressure to contain South-West Africa People's Organization (SWAPO) infiltration into Namibia via Botswana, according to Embassy reporting. New pressure on Gaborone and the Botswana security forces emerged in early March after the apparent infiltration—for the first time through western Botswana—of 12 SWAPO guerrillas into Namibia. Pretoria made a public demarche to Gaborone demanding an immediate investigation of the incident. [redacted]

Although details concerning the incident still are unclear, Botswana security officials apparently believe SWAPO guerrillas did indeed enter Namibia through Botswana territory. [redacted]

[redacted] difficulty in patrolling the huge and desolate border region. Indeed, the Botswana military has no troops in the area, and the police are nearly as scarce, according to Embassy reporting. [redacted]

Pretoria used the March incident to press Gaborone to enter into a security pact granting South African forces the right of "hot pursuit" against guerrillas in Botswana territory. [redacted]

Although Botswana is resisting South African pressure to sign a formal pact, Botswana will, in our judgment, continue to crack down on ANC and SWAPO activity as best it can. Because of Botswana's small defense force and long borders, however, it

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Economic Ties With South Africa

Botswana's economy is linked extensively to that of South Africa. Most of its trade is transported on South African roads and railways. We estimate that some 40,000 Batswana work in South Africa as migrant laborers, nearly half of them legally in South Africa's mines and most of the others unofficially in agriculture and other jobs, helping relieve Botswana's high unemployment and sending home valuable foreign exchange and income. Nonetheless, such employment is down sharply since the mid-1970s, when 40,000 Batswana worked in the mines alone. []

Botswana also is dependent on South African corporate investment and other forms of economic cooperation for continued growth. One promising project requiring Pretoria's cooperation as a market and possibly as a partner in costly transport systems is development of large soda ash deposits for export to South Africa. British Petroleum has begun the initial phases of an investment of over \$300 million, but Pretoria, according to US Embassy sources, has attempted to link its cooperation in the venture to Botswana's willingness to sign a formal security accord. Gaborone's strong desire to proceed with the project, and Pretoria's interest in obtaining a low-cost source of soda ash for its glass, aluminum, and paper industries, probably will open the way for compromise. []

Botswana's membership, along with Lesotho and Swaziland, in the South African-sponsored Southern African Customs Union (SACU) has provided Pretoria with another important source of leverage that it appears to be willing to use. South Africa collects duties on the imports of these landlocked countries and distributes shares based roughly on the members' share of total SACU imports. Pretoria also

provides a hidden form of foreign aid by allowing the other members to overstate their imports, a practice probably initiated originally as a reward for formal cooperation in the union with South Africa. According to the US Embassy in Pretoria, however, South African officials have recently hinted that members' shares will be reduced in September unless they accept South Africa's four so-called independent tribal homelands as new and equal members of SACU. Although we believe Botswana would strongly resist such a demand, SACU receipts provide over 30 percent of its government revenues, and Gaborone would feel the pinch if Pretoria did decide to reduce them. []

Like other states in the region, Botswana has sought, unsuccessfully, to loosen these economic ties. Botswana is a founding member of the Southern African Development Coordination Conference (SADCC), a nine-nation regional group formed in 1980 partly to promote regional development but also to alleviate economic dependence on South Africa. The SADCC secretariat is located in Gaborone. (Other SADCC members are Angola, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe.) Despite large commitments of support from Western donors, however, SADCC has made little progress toward its goals. Its members, battered by recession and drought, have so far met with little success in their efforts to escape from Pretoria's economic stranglehold, in part because South African-backed insurgents in Angola and Mozambique have disrupted transport routes and precluded additional transport development that is vital to the other, mostly landlocked members. []

The Botswana Defense Force

Commander: Maj. Gen. Mompoti Merafhe

Deputy Commander: Brig. Gen. Ian Khama

Budget: \$28.7 million (1982)

Strength: 3,300 men

Major Units: Five Infantry Company Groups

Equipment: Shorland APCs, V-150 APCs,

BTR-60s, 75-mm recoilless rifles, 20-mm antiaircraft guns, SA-7 antiaircraft missiles. (S NF)

The small Botswana Defense Force (BDF), a well-organized, disciplined, and professional force, was formed in 1977 as an outgrowth of the Rhodesian civil war. Botswana found itself by the late 1970s increasingly drawn into the war in neighboring Rhodesia, deluged by the thousands of refugees fleeing the war and fast becoming an area of antiguerrilla operations by Rhodesian security forces. The BDF was created when the government found that police and its paramilitary wing were unable to preserve internal security and maintain the integrity of Botswana's borders. [redacted]

Control over the Botswana military is exercised by civilian officials. President Masire serves as the commander in chief of the BDF, determines manpower levels, and is responsible for appointing the commander of the BDF as well as approving all senior-level appointments. Masire, along with BDF Commander Merafhe, determines the composition of the five-member Defense Council. The Council, which is chaired by Minister of Public Service and Information Daniel Kwelagobe, is responsible for overseeing BDF affairs. [redacted]

is unlikely the government could control either of these groups should they make a determined effort to use Botswana's territory. As a result, infiltration by the ANC or SWAPO is likely not only to continue, but to increase, prompting further pressure from Pretoria for Gaborone to allow South African forces a cross-border role in controlling it. [redacted]

Zimbabwe

The use of Botswana territory as a staging area by Zimbabwean dissidents has bedeviled relations between Harare and Gaborone for over two years. Despite repeated public denials, the Zimbabwean Army has frequently conducted small cross-border operations against suspected dissidents operating from Botswana, according to US defense attache reporting. In late 1983 the Zimbabwean military was regularly crossing into Botswana in search of dissidents. The Zimbabwean Government views Botswana's reluctance to allow hot pursuit across the border as evidence of tacit approval of, if not outright assistance to, the dissidents, according to Embassy reporting.

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Following border clashes in December and February between units of the Zimbabwean National Army and the Botswana Defense Force, officials from both countries met to try to arrest a serious deterioration in bilateral relations. A tacit agreement was apparently reached that Botswana would attempt to repatriate Zimbabwean refugees suspected of being dissidents and monitor the Dukwe refugee camp more closely, while Zimbabwe would refrain from further cross-border operations. Even though there have been no further border incidents since February, Harare will, in our judgment, continue to use Gaborone as a scapegoat for its dissident problem, and more Zimbabwean Army cross-border operations—and strained relations—are likely. [redacted]

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East and West

Although officially nonaligned, Botswana has traditionally been pro-West in orientation. In particular, Gaborone has been generally supportive of US initiatives seeking peaceful solutions to southern African disputes. Botswana probably hopes that the agreement between South Africa and Angola for a disengagement of forces can serve as the basis for a broader regional settlement. Along with other Frontline States, however, Botswana is skeptical about

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The Refugee Problem

Zimbabweans began fleeing into Botswana in sizable numbers in early 1982 when political and ethnic rivalries between the ruling Zimbabwe African National Union (ZANU)—the party mainly supported by the Shona-speaking majority—and the minority-based Zimbabwe African Peoples Union (ZAPU) triggered dissident violence in Matabeleland. Repeatedly brutal antidissident campaigns have caused thousands of Zimbabweans, both armed dissidents and civilians, to flee into Botswana. [redacted]

Botswana considers itself a country of first asylum for those refugees who cannot gain entry elsewhere. Gaborone's policy is to register refugees and send them to Dukwe Resettlement Camp, located northwest of Francistown, about 80 kilometers from the Zimbabwean border. About 3,800 persons now live at Dukwe, mostly Zimbabweans but also South Africans, Angolans, and Namibians. Another 1,000 or so refugees are scattered throughout the country, principally in urban areas, according to the US Embassy. [redacted]

The Zimbabweans are especially concerned about Dukwe and believe that a large group of mostly military-age males located just across the border pose a serious threat, according to the US Embassy. Harare believes that ZAPU dissidents are using the

camp as a base to organize a political and military opposition force, and that Botswana's laissez-faire attitude permits such activities to continue, according to press [redacted]. The Zimbabweans also have claimed publicly to have received reports from captured dissidents that the South African Government has set up dissident training camps in Botswana and even recruits directly from Dukwe. [redacted]

Botswana has, with one exception, stoutly resisted Zimbabwean pressure to forcibly repatriate these refugees. Gaborone has a long tradition of offering asylum to refugees and political exiles, and it takes very seriously its obligations under the United Nations Convention on Refugees. [redacted]

last December, Gaborone expelled from Dukwe 39 Zimbabweans it claimed had been involved in a riot at the camp. According to the US Embassy, Gaborone insists that only those individuals involved in criminal acts will be repatriated, but has agreed to give the UN High Commissioner on Refugees a three-month notice before carrying out any further expulsions. [redacted]

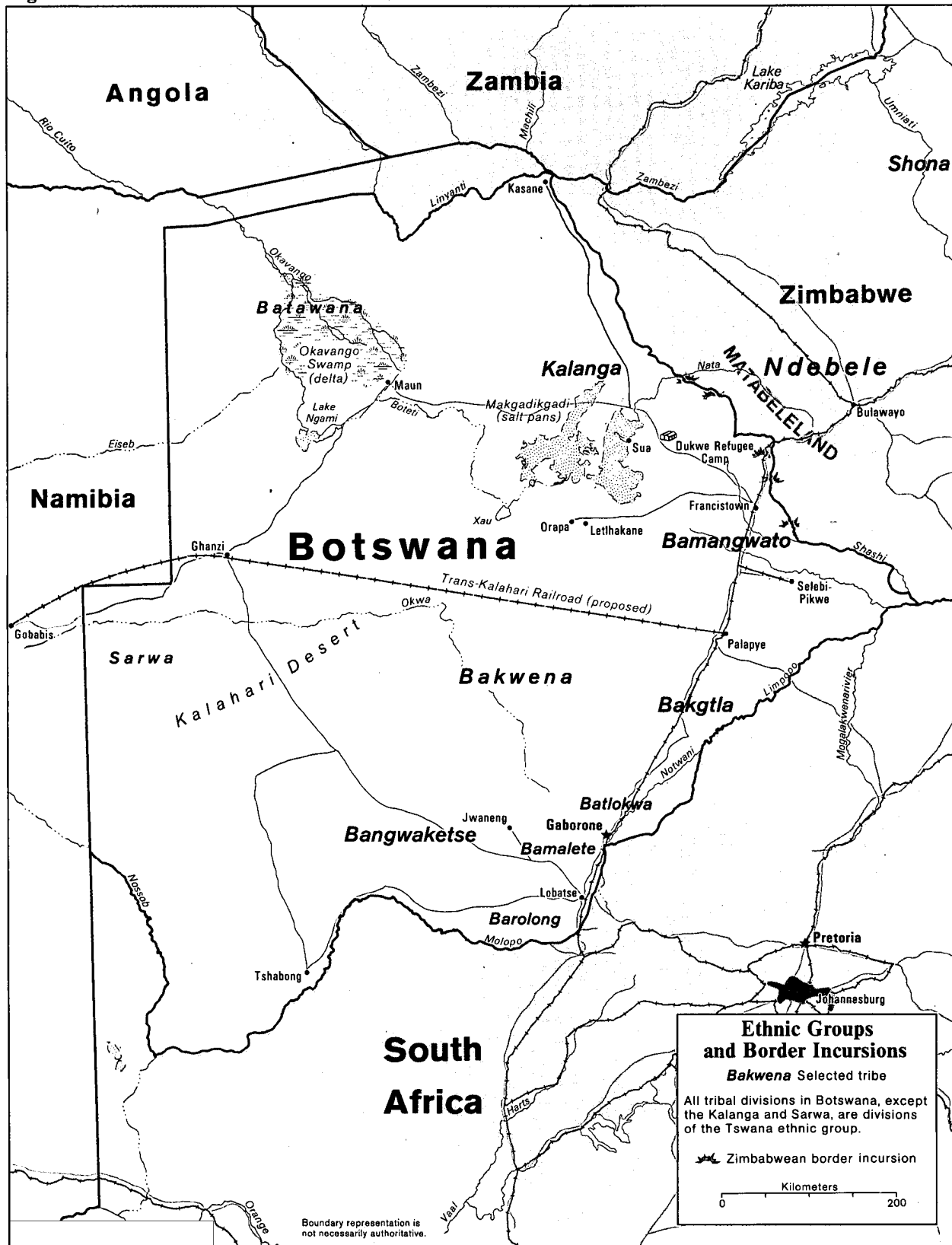
South Africa's sincerity in the Namibian negotiations and probably believes that pressure from the United States is necessary if Pretoria is to abide by its public commitment to implement the plan for Namibian independence embodied in UN Security Council Resolution 435, according to Embassy reporting. Moreover, in our judgment, Botswana will continue to look to the United States to support its position in relations with Zimbabwe and South Africa, and especially to intercede on Gaborone's behalf against pressure from Pretoria. [redacted]

Botswana has long been a recipient of small amounts of economic development assistance from the United States, for which government leaders have frequently

voiced appreciation. During the past 13 years, for example, US economic aid amounted to \$160 million. Gaborone will probably continue to look to the United States for such aid as well as for emergency food relief, provided primarily through the World Food Program, and for other drought assistance. Botswana also has welcomed US military assistance, which is on the order of \$9 million this year and has included such items as armored vehicles, spare parts, and training. In requesting such aid, Botswana's military leaders have shown a realistic awareness of the military's limited capacity to absorb sophisticated equipment and of constraints on their financial resources. [redacted]

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Figure 5



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Gaborone has had few dealings with Moscow since the Soviets' unsuccessful attempt in 1980 to expand their involvement in Botswana by concluding a roughly \$7 million arms deal. The equipment, consisting primarily of 32 armored personnel carriers and 64 SA-7 anti-aircraft missiles, and a few Soviet advisers arrived in August 1981. According to US Embassy reporting, maintenance and performance problems with the Soviet equipment soon soured relations, and Gaborone declined to renew the initial one-year contract for the Soviet advisers. [redacted]

In our judgment, the subsequent provision of US military assistance—which is budgeted at \$9 million this year—together with Western and, in particular, South African criticism of the Soviet military aid, also contributed to Gaborone's decision in 1982 to back away from Moscow. Botswana subsequently rejected Soviet offers of medical and educational assistance and also allowed a proposed cultural agreement between the two countries to die. [redacted]

[redacted] Moscow, which maintains a large diplomatic mission in Gaborone,⁶ has long had close ties to the leadership of the Marxist Botswana National Front, provided limited funding for the party, and made travel and training available to the BNF youth wing. [redacted]

Despite the misgivings that we believe Masire may have about Soviet activities and intentions in Botswana, he may nonetheless be planning a trip to the USSR and perhaps one East European country to discuss educational, cultural, and scientific exchanges. [redacted] Such a trip could be envisioned by Masire as balancing his recent visit to the United States. [redacted]

⁶ According to US Embassy reporting, the Soviets have more than 40 personnel at their Embassy in Gaborone, including 11 known intelligence officers. [redacted]

[redacted] 25X1

Botswana has small economic and technical assistance agreements with other Communist states. China has funded an agricultural development project, provided small arms and ammunition, and is now providing a team of medical doctors. [redacted] 25X1

[redacted] Beijing offered to sell Botswana troop transport aircraft, light planes, and other military equipment on concessionary terms. China also agreed recently to carry out a \$14 million refurbishment of Botswana's main rail line, according to press reports. [redacted] 25X1

[redacted] Cuba sent three technicians to Botswana in March to assist with water resource development. [redacted] 25X1

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Outlook

Despite differences between President Masire and some elements within the Botswana Democratic Party, we believe Masire and the vast majority of BDP members will easily win reelection in 1984. The political opposition to the Masire government is disorganized and fragmented. In our judgment, Ian Khama will wait for a more favorable opportunity and not attempt to run for political office in 1984, and the military is likely to remain loyal to the current government. Moreover, we believe that any coup attempt by Ian Khama or, much less likely, by junior officers would require much more support from within the armed forces than has been evident so far. Minor dissatisfaction within the military and growing friction between Merafhe and Khama has not translated into organized opposition to the President. [redacted] 25X1

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In the near term, the effects of the drought make it certain that 1984 will be a difficult year for rural Botswana engaged in subsistence farming and ranching. Because of dwindling herd size and declining animal weight, commercial cattle production and sales probably will decline this year. Diamond sales are likely to be firm this year, but output from a massive new mine in Australia scheduled to begin production next year probably will have a prolonged, depressing effect on the diamond market. [REDACTED]

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Over the longer term, in our view, the growing problem of urban unemployment will play a larger role in the political equation. Botswana's likely inability to provide sufficient employment opportunities for a growing but inadequately educated urban labor force could cause disenchantment with conservative economic policies and contribute to political unrest. Although political opposition parties have so far not been able to effectively exploit discontent arising from economic conditions, their ability to do so will almost certainly be enhanced by growing frustration among the Botswana over increased unemployment and rising income inequality, periodically exacerbated by drought that worsens rural conditions. Parties such as the BNF are likely, in our view, to respond to such conditions by calling for increasingly radical political and economic reforms. [REDACTED]

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The possibility of a coup, which now seems unlikely, can only increase as economic conditions deteriorate. Such a struggle for power, in our judgment, would most probably pit a Khama-led coalition of the Bamangwato, the BNF, and dissatisfied BDF elements against the Masire regime. It would also open up the possibility of intervention by outside powers—although the Soviet Union would be tempted to curry favor with the Khama faction, South Africa might intervene directly against it. [REDACTED]

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Appendix

Economic Strengths and Weaknesses

Although Botswana's economy probably will continue to have more good years—and occasionally some excellent years, such as in 1983—the economic slump of 1982 has underscored its fragility. In particular, it is vulnerable to changes in international markets, drought, and recurring outbreaks of cattle disease. These, together with fundamental weaknesses in other sectors, ensure that periods of severe economic stress will continue to challenge Gaborone's ability to maintain sound economic management. [REDACTED]

The Mineral Sector

Diamond mining has been the springboard for Botswana's economic growth but also one of its greatest potential vulnerabilities. As a result of a new diamond mine that came into production at Jwaneng in 1982, more than doubling the country's total output, mining has become Botswana's largest productive sector and now accounts for about one-fourth of GDP. Botswana now ranks with South Africa and the USSR as one of the three largest diamond producers in the world. [REDACTED]

Diamond sales constitute some two-thirds of all exports, but are subject to volatile world demand for jewelry and speculative investment. During the speculative diamond boom of 1979-80, for example, the value of diamond exports nearly tripled. In 1981, however, slumping world demand for diamonds—especially for the high-quality gemstones that account for over one-third of the diamonds produced in Botswana—caused sales to fall by over 40 percent, resulting in the first balance-of-payments deficit in a decade. [REDACTED]

All of Botswana's mines—at Jwaneng, Orapa, and Letlhakane—are operated by a subsidiary of De Beers, the South African diamond giant, and are marketed by a De Beers-controlled cartel—the Central Selling Organization (CSO)—in London. Contractual arrangements with De Beers guarantee that a percentage quota of Botswana's annual output—based on Botswana's share of the total volume supplied to the CSO worldwide—will be purchased. [REDACTED]

In our view, this arrangement and the opening of the new mine at Jwaneng—more than Gaborone's implementation of austerity measures aimed at restraining domestic demand and cutting imports—made possible the turnaround in Botswana's external accounts and prevented the economy from contracting. Nonetheless, the marketing arrangement has its own downside. The collapse of the diamond market in 1981 and Botswana's obligation to take a share of the output from Jwaneng have compelled Gaborone to carry a growing stockpile of unsold diamonds now valued at more than \$500 million, equivalent to about half of Botswana's current national income, according to press reports. Despite record export sales last year, about one-third of output volume was stockpiled. [REDACTED]

Botswana's only other significant mineral production is nickel-copper matte from a mine at Selebi-Pikwe and a small amount of coal for domestic use. The nickel mine is owned jointly by the government, Anglo-American Corporation of South Africa, and a US firm that is the only significant US investor in Botswana. After opening in 1974, the mine and its associated processing plant were plagued by technical problems, but the complex is now considered by experts to be one of the most technically efficient in the world. Production now exceeds designed capacity and is expected to rise further, but reserves are sufficient to sustain production at current levels for at least the rest of the century. [REDACTED]

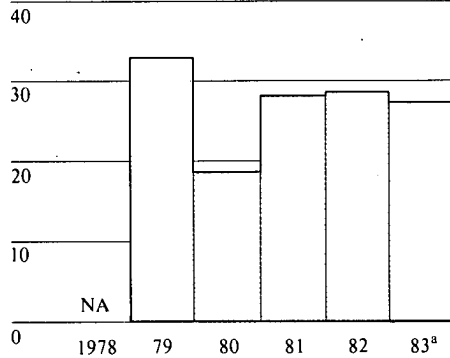
Although the US partner buys all of the mine's output for refining in the United States and reexport to Europe, low prices caused by weak world demand have caused repeated losses and rising debt, according to press reports. The mine's production costs are low by world standards, but without a substantial improvement in world nickel prices—unlikely before [REDACTED]

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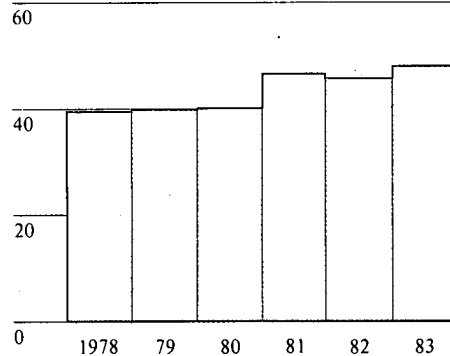
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Figure 6
Botswana: Production of Principal Products,
1978-83

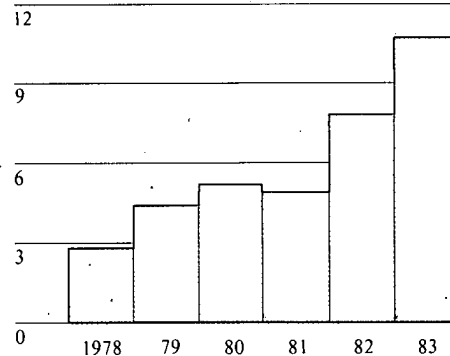
Beef
 Thousand tons



Copper/Nickel Matte
 Thousand metric tons



Diamonds
 Million carats



^a Estimated.

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1985, in our judgment—the mine's profitability will remain shaky. Its political importance as a source of employment, however, has made the mine's continued operation a government priority. Gaborone has successfully pressured its private partners in the venture to participate in a series of financial bailouts to keep the mine open, according to a variety of press [redacted]

Prospects for new mineral development are mixed. Once-promising prospects for an expansion of coal output for export are now dimming in the face of a world coal glut and consequent low prices that have rendered the project uneconomic. Although plans have called for exports to begin by the end of the decade under an agreement with Royal Dutch Shell, the government has been notified recently of Shell's intention to postpone development, according to the US Embassy. On the other hand, development of soda ash deposits in northeastern Botswana is set to begin soon; South Africa is slated to be the major market, but political tensions between Gaborone and Pretoria could still derail the project. [redacted]

A less practical project that the government has nonetheless proposed is a rail line to transport coal across the Kalahari Desert to the South African port at Walvis Bay in Namibia. Such a line would for the first time open up western Botswana to commercial development, and Gaborone has already contracted for feasibility studies. In addition to its being predicated on the now moribund plans to expand coal output, however, we and most observers believe the project is fraught with technical and financial difficulties and political uncertainty associated with the negotiations for the independence of Namibia. [redacted]

Agriculture

Before the diamond-led recovery had begun in 1982, the onset of a severe drought—now in its third year—began to aggravate Botswana's already chronic food deficiencies. Even under normal conditions Botswana cannot feed itself. We concur with the judgment of the IMF that several factors have contributed to a long-term decline in agricultural output that predates

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the current drought: normal levels of rainfall are low and erratic; less than 30 percent of Botswana's land is cultivable, with only one-fourth of it planted in a typical year; and yields are low because the government lacks the skilled manpower to implement fully its rural development schemes, despite adequate funding. Over 80 percent of the population is concentrated on the relatively fertile 10 percent of the land area along the eastern border with South Africa. []

Most cultivation of food crops—such as corn and sorghum—is for subsistence consumption on farms of less than 10 hectares, according to the IMF. Output normally averages only about one-third of domestic consumption but has fallen to about 10 percent in each of the last two years because of the drought. Imports of food—mostly from South Africa, which treats Botswana as part of its domestic market for commercial grain—have increased substantially, as has dependence on international food relief. We estimate that Botswana requires well over 100,000 tons of foodgrain imports for 1984. Although the parastatal agricultural marketing board has offered favorable prices for foodgrains in recent years, the effects of these incentives have been overwhelmed by the drought. As many as half of the nearly 1 million Botswana are now dependent to some degree on government distribution of food, according to press and Embassy reports. []

The cattle industry, the country's second-largest foreign exchange earner, has also been afflicted by the drought. The industry has long been a major factor in economic growth and is still the main economic activity of about 70 percent of all Botswana, although not the sole source of income for most of them, according to the IMF. With some 2.8 million head of cattle, the country has the highest cattle-to-people ratio in the world (about 2.8:1). Commercial ranching has become increasingly concentrated in recent years, however, with about 360 ranchers now owning some 500,000 head, according to the World Bank. Drought and resultant overgrazing have exacerbated this trend, making it increasingly difficult for much of the rural population to make a living from agriculture alone and increasing the inequality of income distribution. []

Beef processing is Botswana's main manufacturing activity, and the country's two slaughtering plants—at Lobatse and Maun—are the principal employers in the manufacturing sector. Beef exports—primarily to South Africa and to the United Kingdom and other members of the EC—were just recovering from two economically devastating bouts of hoof-and-mouth disease in 1979-80 when the drought hit. Although a high slaughter rate has prevented some economic losses, average animal weights are down, and the combination of slaughter and drought may have reduced the national herd by as much as 800,000 head since 1981. The UN Food and Agriculture Organization estimates that an additional 800,000 or more head will die from the drought before the next rains in October. []

Industry and Investment

About 60 percent of manufacturing firms in Botswana are foreign owned, mainly by South Africans. Gaborone's wide range of financial and other incentives for domestic and foreign private investment, however, and the inducement of duty-free access to the South African market, have been largely ineffective in attracting new foreign investment to boost employment in manufacturing, according to the IMF. The government itself has apparently had some success in encouraging local entrepreneurs to develop new, small-scale industries, with the result that the proportion of locally owned manufacturing enterprises has doubled in the last three years to 15 percent of the total. Most of these firms are in textiles, building materials, and foodstuffs. About one-fourth of manufacturing enterprises are joint ventures between local entrepreneurs and foreign partners. []

Barriers to expansion of industry and employment are unlikely to be overcome any time soon, in our judgment. They include the small domestic market, severe shortages of skilled manpower, limited raw materials and other inputs (especially water, power, and transport), and competition from well-established producers in South Africa and Zimbabwe. Moreover, potential investors in manufacturing probably became more cautious in 1982 when Harare—unhappy over the

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number of Zimbabwean textile firms that had relocated in Botswana to escape rising wages, higher taxes, and government regulation—temporarily imposed a quota on imports from Botswana to signal its displeasure. Textiles are Botswana's fourth-leading export. Scarcity of water is likely to remain one of the most serious obstacles to industrial development, according to most observers. The drought has already caused serious reductions in urban water supplies, and water shortages may even constrain future mining investments.

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Botswana's tourist potential is a relatively untapped area for foreign investment and economic development. Although the country possesses some of the last great unspoiled areas in Africa, centered around the Okavango Delta in the northwest, there has been little development of tourist facilities or effective international marketing. Botswana plans to send a trade and investment mission to the United States in 1985 to spur interest in this and other areas of potential investment, according to the US Embassy.

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